

Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 28774 01 OF 03 301935Z

66

ACTION AID-59

INFO OCT-01 EUR-12 NEA-10 ISO-00 CEA-01 CIAE-00 COME-00

EB-07 EA-07 FRB-03 INR-07 IO-13 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 SS-15 /156 W

----- 094109

P R 301842Z SEP 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 3595

INFO AMEMBASSY CAIRO

LIMITED OFFICIAL USE SECTION 01 OF 03 OECD PARIS 28774

PASS AID

CAIRO FOR PFOUTZ

E.O. 11652: N/A

TAGS: EAID, OECD

SUBJECT: DAC WP/FA MEETING, SEPT. 23-24, 1976 - UNTYING

REF: OECD PARIS 28446

1. SUMMARY: THE FOLLOWING DAC MEMBERS, IN ADDITION TO U.S., AGREED TO PARTICIPATE IN RECIPROCAL UNTYING NEGOTIATIONS: GERMANY, U.K., NORWAY, SWEDEN, JAPAN, NETHERLANDS, ITALY, DENMARK, SWITZERLAND AND BELGIUM. ALSO APPEARS THAT AUSTRALIA, AUSTRIA AND NEW ZEALAND WILL PARTICIPATE. HOWEVER, SOME MEMBERS HAVE IMPORTANT RESERVATIONS. FRANCE SAID IT WILL NOT PARTICIPATE. CANADA WAS QUIET. LENGTHY DISCUSSIONS ON EXCEPTIONS CENTERED ESPECIALLY ON U.S. DEROGATION EXCLUDING SUPPORTING ASSISTANCE (SA) LOANS FROM THE AGREEMENT; UNDER CONSIDERABLE PRESSURE WE RESERVED POSITION ON THESE LOANS WHILE STRESSING THE KEY ROLE SA FUNDS PLAY IN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 28774 01 OF 03 301935Z

SUPPORTING VERY HIGH PRIORITY POLITICAL/SECURITY/PEACE

OBJECTIVES IMPORTANT NOT ONLY TO U.S. BUT TO ALL DAC COUNTRIES. OTHER DELEGATIONS APPRECIATE IMPORTANCE OF THESE OBJECTIVES, BUT NEVERTHELESS DISAPPOINTED THAT U.S. PROPOSES TO CONTINUE TO TIE WHAT IS NOW THE MAJORITY OF ITS LOAN PROGRAM. GOOD PROGRESS MADE IN DISCUSSIONS ON DRAFT AGREEMENT AND PROCUREMENT GUIDELINES. NEXT MEETING ON UNTYING SCHEDULED FOR NOVEMBER 2-4; OUR IDEAS ON U.S. PREPARATIONS FOR THIS MEETING FOLLOW SHORTLY. END SUMMARY.

2. THIS CABLE COVERS IMPORTANT SUBJECT OF UNTYING DISCUSSED AT THIS ACTIVE TWO-DAY DAC WP/FA MEETING. DISCUSSION ASSISTED BY THE VARIOUS DOCUMENTS LISTED IN PARA 4 OF DAC/FA/A(76)3. OUR EARLIER REFTEL REVIEWED TERMS AND CONDITIONS OF AID.

3. DISCUSSION OF UNTYING COMMENCED WITH REVIEW BY CHAIRMAN CHADWICK AND SECRETARIAT (KROLLER) OF PAST WORK OF DAC IN THIS AREA, INCLUDING UNTYING OF MULTILATERAL CONTRIBUTIONS AND OF BILATERAL ODA LOANS IN FAVOR OF PROCUREMENT IN LDC'S. CHAIRMAN AND U.S. MADE IT CLEAR THAT DISCUSSIONS DAC NOW ENGAGED IN INVOLVE PROPOSED RECIPROCAL UNTYING OF BILATERAL ODA LOANS. (DENMARK WAS ONLY COUNTRY IN THE SUBSEQUENT DISCUSSION TO RAISE POSSIBILITY OF UNTYING GRANTS ALSO; THIS WAS NOT ACTIVELY PURSUED BY OTHER SPEAKERS.)

4. U.S. SPOKESMAN THEN BRIEFLY OUTLINED OUR PROPOSAL STEMMING FROM SECRETARY'S SPEECH AT NAIROBI. WE ALSO STRESSED THAT FORWARD MOVEMENT IN AREA OF UNTYING COULD ASSIST CIEC DIALOGUE; THIS VIEW STRONGLY SUPPORTED BY SWEDEN, U.K., AND OTHERS. BECAUSE OF AMOUNT OF WORK NEEDED FOR SUCCESSFUL CONCLUSION OF AN AGREEMENT, THERE IS GENERAL VIEW THAT FINAL ACTION BY DECEMBER CIEC MINISTERIAL HIGHLY UNLIKELY. HOWEVER, SINCE PURPOSE OF CIEC IS TO "ENERGIZE" ACTIVITIES IN OTHER PERTINENT BODIES, FINAL CONCLUSION NOT CONSIDERED NECESSARY. FACT THAT NEGOTIATIONS ON THIS TOPIC IN DAC ARE WELL ADVANCED BY DECEMBER COULD STILL BE CONSIDERED AS ONE ELEMENT IN G-8 RESPONSE TO G-19. JAPAN SUGGESTED THAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 28774 01 OF 03 301935Z

UNTYING ALSO BE DISCUSSED IN GENERAL TERMS BY AID MINISTERS AT FORTHCOMING DAC HIGH-LEVEL MEETING TO GIVE IT "POLITICAL IMPETUS"; (I.E., AMONG OTHER THINGS, ASSIST PRO-UNTYING FACTION WITHIN GOJ); THIS WAS SUBSEQUENTLY AGREED AT DAC PLENARY ON SEPTEMBER 27.

5. IN LONG SERIES OF STATEMENTS THE FOLLOWING DAC MEMBERS, IN ADDITION TO U.S., INITIALLY AGREED TO PARTI-

CIPATE IN THE NEGOTIATIONS: GERMANY, U.K., NORWAY, SWEDEN, JAPAN, NETHERLANDS, ITALY, DENMARK, SWITZERLAND, AND BELGIUM. NOTE THAT THIS LIST INCLUDES FOUR OF THE FIVE QUANTITATIVELY LARGEST DONORS, I.E., U.S., JAPAN, GERMANY, AND U.K., BUT NOT FRANCE. BUT SOME HAD IMPORTANT RESERVATIONS, E.G., U.K. AND ITALY WILL ONLY PARTICIPATE IN FINAL AGREEMENT IF MOST MEMBERS, INCLUDING

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 28774 02 OF 03 301936Z

66

ACTION AID-59

INFO OCT-01 EUR-12 NEA-10 ISO-00 CEA-01 CIAE-00 COME-00

EB-07 EA-07 FRB-03 INR-07 IO-13 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 SS-15 /156 W

----- 094181

P R 301842Z SEP 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 3596

INFO AMEMBASSY CAIRO

LIMITED OFFICIAL USE SECTION 02 OF 03 OECD PARIS 28774

MOST MAJOR DONORS AND MOST ODA LOANS, INCLUDED; SWEDEN'S VIEWS NOT YET "OFFICIAL" PENDING COMPLETION OF GOVERNMENT CHANGE; AND BELGIUM STRESSED IT WOULD JOIN ONLY A "FULLY RECIPROCAL" AGREEMENT (NOT DEFINED).

6. AUSTRALIA, AUSTRIA, AND NEW ZEALAND EITHER RESERVED OR DID NOT SPEAK DIRECTLY TO THIS POINT, BUT IT APPEARS THEY WILL PARTICIPATE IN THE NEGOTIATIONS WHILE STRESSING THEY ARE NOT COMMITTED TO ANYTHING. FINLAND, WHICH AT PREVIOUS WP/FA MEETING ON JULY 19 HAD STRONGLY SAID IT PROBABLY COULD NOT UNTIE, HAS SOFTENED ITS POSITION

AND NOW WILL AT LEAST PARTICIPATE IN DISCUSSIONS. CANADA DID NOT SPEAK (CANADIAN REP PRIVATELY TOLD US HE WAS INSTRUCTED JUST TO LISTEN AND REPORT TO OTTAWA. GENERAL CANADIAN POSITION IS TO SUPPORT UNTYING IN PRINCIPLE, BUT THEY MAY WANT TO CONTINUE TO TIE CERTAIN ODA LOANS.) FRANCE WAS ONLY MEMBER WHO SAID IT COULD NOT PARTICIPATE IN THE NEGOTIATIONS. FRENCH REP SAYS HIS COUNTRY DOES NOT CONSIDER UNTYING IMPORTANT EITHER ECONOMICALLY OR IN CIEC CONTEXT. EC REP DID NOT SPEAK.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 28774 02 OF 03 301936Z

7. MOST LENGTHY AND DIFFICULT PART OF THE DISCUSSIONS CONCERNED U.S. DEROGATION EXCLUDING SUPPORTING ASSISTANCE (SA) LOANS (NO OTHER MEMBER HAS DIFFERING CATEGORIES OF ODA LOANS). WE WERE UNDER CONSTANT QUESTIONING ON THIS MATTER DURING THE TWO DAYS, AND EXPLAINED AT LENGTH IN VARIOUS WAYS THE CONCEPT OF SA AND THE KEY PURPOSE SUCH FUNDS PLAY IN SUPPORTING VERY HIGH PRIORITY POLITICAL/ SECURITY/PEACE OBJECTIVES IMPORTANT NOT ONLY TO THE U.S. BUT TO ALL DAC COUNTRIES. STRESSED THESE FUNDS USED MOSTLY IN MIDDLE EAST. WE SAID WE WERE DISCUSSING UNTYING OF OUR BILATERAL DEVELOPMENT ASSISTANCE LOANS ONLY, AND RESERVED POSITION ON SA LOANS. BUT STRESSED THAT DL COMMITMENTS NOW RUNNING AT THE VERY SIZEABLE FIGURE OF ABOUT \$550 MILLION PER YEAR (DID NOT MENTION PURCHASES OF LOCAL CURRENCY WITH SOME OF THESE FUNDS). OTHERS AGREED THAT THIS FIGURE SIZEABLE AND CONCURRED THAT SA SUPPORTS VERY IMPORTANT OBJECTIVES. NEVERTHELESS EXPRESSED DISAPPOINTMENT THAT U.S. PROPOSING TO UNTIE MUCH LESS THAN HALF OF TOTAL ODA LOANS (EXCLUDING PL-480 LOANS, WHICH ALL AGREE MUST REMAIN TIED). SWEDEN DIRECTLY AND JAPAN BY IMPLICATION SAID THEY WILL HAVE TO RECONSIDER THEIR DECISIONS TO PARTICIPATE IN THESE NEGOTIATIONS IN LIGHT OF U.S. SA DEROGATION. BELGIUM, NETHERLANDS, AND DENMARK REPS ALSO APPEARED SIGNIFICANTLY CONCERNED. FRENCH REP SAID U.S. ANNOUNCEMENT ON SA WOULD INFLUENCE HIS GOVERNMENT'S ATTITUDE ON WHETHER OR NOT TO AGREE TO OECD-SPONSORED AGREEMENT, IF ONE ACHIEVED. WHEN WE RESPONDED TO DUTCH QUERY THAT SA IS USED FOR ECONOMIC DEVELOPMENT PROJECTS AND PROGRAMS AND THUS IS REPORTED AS ODA, U.K. QUESTIONED WHETHER IT SHOULD BE SO REPORTED IN FUTURE. (THIS POINT IN ALL LIKELIHOOD ALSO WILL COME UP AT REVIEW OF U.S. PROGRAM OCTOBER 13; MATTER OF SA DEROGATION MAY COME UP AT BOTH U.S. REVIEW AND INFORMAL HIGH-LEVEL MEETING SESSION.)

8. WE ADDED THAT, AS IN PREVIOUS UNDERSTANDING, U.S. WOULD REQUIRE TWO OR THREE OTHER DEROGATIONS, FOR SHIP-

PING SERVICES (50-50), AUTOMOTIVE PRODUCTS, AND POSSIBLY
MARINE INSURANCE IN SOME CASES. WE EXPLAINED THE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 28774 02 OF 03 301936Z

LEGISLATIVE BASIS OF THESE DEROGATIONS AT REQUEST OF
CHADWICK AND OTHERS. OTHERS DO NOT APPEAR TO HAVE MAJOR
PROBLEMS WITH THESE DEROGATIONS. GERMANY WAS ONLY OTHER
COUNTRY TO MENTION REQUIREMENT FOR SPECIFIC DEROGATION
AT THIS MEETING, FOR SHIP-BUILDING, WHICH MUST REMAIN
TIED TO PROCUREMENT IN GERMANY. GERMAN REP SAID NO
COMMITMENTS MADE FOR SHIP-BUILDING DURING CALENDAR YEAR
1975, BUT PLAN TO LEND \$80 MILLION FOR THIS PURPOSE IN
1976. POSSIBILITY OF CONTINUED JAPANESE DEROGATION FOR
"DIPLOMATIC COMMITMENTS" TO OIL-PRODUCING LDC'S WAS
RAISED, BUT IT APPEARS ALL OF THESE MAY HAVE ALREADY
BEEN HONORED; IF SO, NO DEROGATION NECESSARY.
HOWEVER, SOME SPOKESMEN RESERVED RIGHT DURING NEGOTIA-
TIONS TO REQUEST DEROGATIONS RECIPROCAL TO THOSE TAKEN
BY OTHERS, EVEN THOUGH CHADWICK ATTEMPTED TO DISCOURAGE
THIS. BUT HOPE EXPRESSED BY SEVERAL SPEAKERS AT END
THAT THERE SHOULD BE AS FEW DEROGATIONS AS POSSIBLE.

9. IN ADDITION TO SPECIFIC COUNTRY DEROGATIONS FOR
SPECIFIC TYPES OF ASSISTANCE OR GOODS (I.E., U.S. AND
GERMANY ABOVE), MEMBERS REVIEWED PROBABLE
GENERAL EXCLUSIONS APPLICABLE TO ALL PARTICIPANTS.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 28774 03 OF 03 301944Z

66

ACTION AID-59

INFO OCT-01 EUR-12 NEA-10 ISO-00 CEA-01 CIAE-00 COME-00

EB-07 EA-07 FRB-03 INR-07 IO-13 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 SS-15 /156 W

----- 094440

P R 301842Z SEP 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 3597

INFO AMEMBASSY CAIRO

LIMITED OFFICIAL USE SECTION 03 OF 03 OECD PARIS 28774

INCLUDED ARE LOANS FOR AGRICULTURAL PRODUCTS (INCLUDING BOTH DEVELOPMENT ASSISTANCE LOANS AND PL-480) AND TECHNICAL ASSISTANCE. MATTER OF "MIXED CREDITS" ALSO MUST BE DISCUSSED FURTHER. BUT IN GENERAL WE FORESEE NO MAJOR PROBLEMS AT THIS TIME WITH RESPECT TO SUCH GENERAL EXCLUSIONS.

10. THE MAJOR QUESTION ARISING FROM THE LENGTHY DISCUSSIONS REGARDING SPECIFIC DEROGATIONS AND GENERAL EXCLUSIONS ABOVE IS HOW MUCH OF EACH PARTICIPANT'S LOAN PROGRAM WOULD IN FACT BE INCLUDED IN RECIPROCAL UNTYING AGREEMENT. TO PUT IT ANOTHER WAY, HOW MUCH ADDITIONAL BUSINESS WILL THERE BE TO COMPETE FOR. WE POINTED OUT THAT TABLE IN DAC/FA(76)6, COVERING BILATERAL ODA LOAN COMMITMENTS FOR 1974-75 IS NOT AN ADEQUATE ILLUSTRATION FOR THIS PURPOSE. U.S. FIGURES IN THIS PAPER OBVIOUSLY FAR TOO HIGH, AS OTHER PARTICIPANTS DID NOT HESITATE TO POINT OUT. BUT DATA FOR OTHERS ALSO MUST BE REDUCED BY ANY AMOUNTS FOR SPECIFIC AND GENERAL EXCLUSIONS PLUS PURCHASES OF LOCAL CURRENCY FOR INDIGENOUS FINANCING.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 28774 03 OF 03 301944Z

AND THESE FIGURES, EVEN WHEN ACCURATE, WILL ONLY ILLUSTRATE WHAT MIGHT HAVE HAPPENED IN THE PAST, NOT WHAT WILL IN FACT RESULT IN FUTURE. (AS RESULT OF SEPARATE CONVERSATIONS WE HAVE HAD WITH VARIOUS PARTICIPANTS FOLLOWING THIS MEETING, SECRETARIAT IS REQUESTING ADDITIONAL NECESSARY DATA FROM DELEGATIONS. WE EXPECT A LETTER SHORTLY, AND WILL CABLE YOU UPON RECEIPT.)

11. REGARDING LEGAL STATUS OF AGREEMENT, U.S. AND MOST SPEAKERS FEEL RESOLUTION OF THIS ISSUE NOT IMPORTANT AT THIS TIME. MOST APPARENTLY WILL GO ALONG WITH INFORMAL, NON-BINDING AGREEMENT, INCLUDING DENMARK AND SWITZERLAND, BOTH OF WHOM, HOWEVER, WOULD PREFER LEGALLY-BINDING AGREEMENT. BELGIUM SAID IF DEROGATIONS ARE EXTENSIVE A BINDING AGREEMENT WOULD BE INAPPROPRIATE. ONLY NETHERLANDS SAID FRANKLY IT WOULD WANT BINDING AGREEMENT.

BELGIAN REP ASKED IF U.S. WOULD NEED CONGRESSIONAL APPROVAL OF ANY AGREEMENT; WE SAID THIS WILL DEPEND ON ITS FORM AND NATURE, AND NO ANSWER POSSIBLE AT THIS TIME.

12. SWEDISH PROPOSAL FOR SIMPLIFIED PROCUREMENT GUIDELINES DOCUMENT DISCUSSED AT LENGTH. CONSENSUS, LED BY U.S., U.K., GERMANY, BELGIUM AND NETHERLANDS, WAS THAT IT UNSATISFACTORY BECAUSE ESTABLISHES NO CLEAR STANDARDS AGAINST WHICH REASONABLENESS AND FAIRNESS OF PROCUREMENT PROCEDURES AND AWARDS CAN BE EXPLAINED AND JUSTIFIED TO HANDLE BIDDERS COMPLAINTS. CHADWICK SAID THAT LDC'S SHORT OF MANAGEMENT TALENT PRESUMABLY WOULD PREFER SHORTER GUIDELINES. BUT WE AND OTHERS RESPONDED THAT MOST LDC PROCEDURES NOW ARE IN FACT MORE COMPLEX THAN PRESENT VERSION OF GUIDELINES, WHICH CAN BE IMPLEMENTED WITHOUT UNDUE STRAIN. THESE GUIDELINES ALSO WILL SERVE TO ASSIST LDC'S IN ADOPTING GOOD PROCUREMENT PRACTICES. CONSENSUS FINALLY WAS THAT PRESENT VERSION OF PROCUREMENT GUIDELINES ADEQUATE AS STARTING POINT LOOKING TO FINAL DRAFT ACCEPTABLE TO ALL PARTICIPANTS. U.K. SUGGESTED VARIOUS WAYS TO SHORTEN TEXT. GERMANY URGED ADDING LANGUAGE WHICH WOULD HAVE EFFECT OF RECOGNIZING THAT NON-PROJECT ASSISTANCE WOULD NOT NECESSARILY BE SUBJECT TO ALL FORMAL PROCUREMENT REQUIREMENTS OF GUIDELINES; NO OTHER DELEGATION OBJECTED IN PRINCIPLE TO THIS REFINEMENT. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 28774 03 OF 03 301944Z

NUMEROUS OTHER SPECIFIC POINTS NOW IN DRAFT WERE DISCUSSED, BUT NO DEFINITE AGREEMENTS REACHED.

13. IT WAS DECIDED AT END OF SECOND DAY THAT THERE ARE ENOUGH MEMBERS INTERESTED IN PURSUING UNTYING DISCUSSIONS TO WARRANT ANOTHER MEETING AT EARLY DATE. ALSO, PROCUREMENT GUIDELINES DRAFT NEEDS EXTENSIVE, DETAILED LOOK BY EXPERTS. THEREFORE, PARTICIPANTS DECIDED THAT NEXT MEETING WILL BE HELD NOVEMBER 2-4, WITH FIRST DAY AND HALF BEING PROCUREMENT EXPERTS ONLY (PFOUTZ FOR U.S.), AND REMAINING DAY AND HALF BEING NORMAL WP/FA MEETING WITH UNTYING AS ONLY TOPIC. OUR IDEAS ON U.S. PREPARATIONS FOR THIS MEETING WILL FOLLOW SHORTLY. KATZ

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, REGIONAL ORGANIZATIONS, MEETING REPORTS, FOREIGN ASSISTANCE, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 30 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OECDP28774
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760369-0264
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976092/aaaaabqw.tel
Line Count: 375
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 OECD PARIS 28446
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 14 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 APR 2004 by greeneet>; APPROVED <09 AUG 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DAC WP/FA MEETING, SEPT. 23-24, 1976 - UNTYING
TAGS: EAID, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006